APPENDIX F: Implementation Plan for New Revenue Sources

In developing the 2008 RTP, SCAG held a number of workshops to discuss the legal and policy context for pursuing new funding sources. SCAG's policy committees, comprising locally elected representatives throughout the region, expressed their commitment to pursuing new sources of funding for transportation. The following discussion highlights some requisite actions for implementing new funding sources identified as a part of the financially constrained 2008 RTP.

Value Capture Strategies

Special Districts, Joint Development and Tax Increment Financing

Value capture strategies refer to capturing the incremental value generated by transportation investments. A number of techniques can be utilized to capture this enhanced value including the formation of special districts, such as Benefit Assessment Districts. Benefit assessments are fees on properties used to pay for the cost of capital improvements including transit development. Charges are assessed on those properties that benefit from the capital improvements being financed. A benefit of certain special districts is that the boundaries can be drawn across local jurisdictional lines or within well-defined or targeted areas.

Special assessments are subject to Proposition 218, which establishes a common formation and ratification procedure that the transit operators and/or local jurisdictions would need to pursue. SCAG anticipates working with local/regional stakeholders to pursue the following course of action.

Milestone	Action(s)
1	*Conduct feasibility analysis/engineering report with rates, proposed district boundaries, methodology, and rationale for assessments.*
2	*Polling/Public Awareness Surveys*
3	*Hold public hearing and receive approval from a majority of affected property owners casting ballot (by FY2012 for the 2008 RTP).*

The formation of a Mello-Roos Community Facilities District presents another type of special district financing opportunity. A special district of this type allows a developer or group of property owners to self-impose a special tax, collected on the property tax roll, to finance a variety of public improvements. Mello-Roos CFDs require two-thirds approval of those voting. There may be a landowner election or a registered voter election, depending on whether there are 12 or more registered voters within the proposed Mello-Roos district (§53326(b)).

Transit joint development opportunities can be defined as contributions by the private sector partner in the form of revenue-sharing arrangements—including land leases, air rights development, and concession leases. Additionally, joint development has occurred with the sharing of construction costs in anticipation of real estate development/market potential created by public transit facilities (often includes incentive zoning).

Often utilized by redevelopment agencies for community improvement projects, tax increment financing can be a critical financing tool to support transit investment strategies as well. Tax increment establishes a base-year tax level for a project area. Taxes generated above this base-year amount through increases in property values are targeted for improvements/services within the project area. Outside of redevelopment areas, local jurisdictions can establish Infrastructure Financing Districts to use property tax increment financing to pay for public works (Govt. Code § 53395, et seq). SCAG and its local jurisdiction stakeholders will need to adhere to the following requisite procedures for establishing IFDs by FY2012:

Milestone	Action(s)
1	*Resolution of intention to establish district (§ 53395.11)*
2	*Continue to develop Infrastructure financing plan (§ 53395.14 – 53395.16)*
3	*Hold public hearing (§ 53395.12)*
4	*Formation of district elections (§ 53395.20)* • *tax increment bonds (§53397.1 – 53397.9)* • *two-third vote needed for issuance (§ 53397.6)* • *adopt resolution per majority vote*

More generally, efforts to evaluate the potential economic benefit of future transit oriented development (TOD) at planned station sites for several projects including the Gold Line Foothill Extension Corridor is already underway. The Metro Gold Line Foothill Extension Construction Authority was awarded a federal grant to assess TOD opportunities at each of the 11 proposed station areas. As a part of this effort, a recent study conducted by the IBI Group (included in the supplemental attachment) quantifies the economic development potential along the Corridor. Specifically, joint development potential is analyzed, delineating the characteristics of the station sites along the Corridor. Additional components include a corridor-wide market analysis, parking evaluation as well as recommended planning and policy guidelines.

Many station areas are already seeing development projects aligned with future transit development opportunities, other cities are updating their zoning codes and their transportation and parking policies. Proposed HSRT system business plans also include discussion on value capture opportunities along station sites (concession leases, parking revenues, etc.).

Property Valuation for Caltrans' Owned Parcels Along the Proposed I-710 Gap Closure Tunnel

SCAG's evaluation considered property values according to recent sales of parcels adjacent or in close proximity to the I-710 Tunnel Corridor. Coordination with Caltrans representatives will be critical to ensure the availability of revenues generated from the sale of properties along the I-710 Corridor. As such, SCAG intends to take the following necessary implementation steps:

Milestone	Action(s)
1	*Continue to work with Caltrans to further evaluate revenue potential from the sale of properties along the I-710 corridor.*
2	*Work with Caltrans and local stakeholders to pursue legislation to enable sale of properties and to establish an escrow account for proceeds.*
3	*Establish proper mechanisms to access proceeds for the I-710 Tunnel.*
4	*Obtain proceeds from real estate sales (currently estimated at $410 million) by FY2015*

Imperial County Sales Tax Extension

Imperial County currently imposes a half-cent sales tax for transportation purposes—Measure D. Measure D was imposed in 1990 and will sunset in 2010. There has been significant interest in extending Measure D, and the Imperial County Local Transportation Authority (LTA) and Imperial Valley Association of Governments (IVAG) have begun efforts to work towards securing its renewal. In accordance with Proposition 218, two-thirds voter approval would be needed to extend Measure D.

Milestone	Action(s)
1	*Establish a Measure Renewal Committee*
2	*Campaign Finance*
3	*Marketing/Public Awareness Surveys*
4	*Expenditure Plan*
5	*Local Consensus*
6	*Ballot Measure by Imperial County/Extension of Local Sales Tax by FY2010-2011*

A number of activities have been undertaken to date as demonstration of progress towards renewal. This has included meetings of the IVAG Measure D Committee, hiring of a consulting group to lead the effort, planning sessions, stakeholder meetings, public polling, and development of draft Ordinance and Expenditure Plan. Future planned efforts include gaining consensus on the draft Ordinance and Expenditure Plan, substantial public outreach efforts, additional polling, and placement of the Measure tentatively on the June 2008 Ballot. Documentation of Imperial County Local Transportation Authority Measure D extension efforts are attached in this Appendix F.

Highway Tolls

With diminishing traditional state and federal funding, the 2008 RTP identifies toll road financing as a mechanism to add highway capacity. Currently there are several toll road facilities in operation within the SCAG region, including the SR-91 Express Lanes and the San Joaquin Hills, Eastern and Foothill Corridors.

Within the time horizon of the 2008 RTP, additional toll road facilities are expected to be implemented, including the I-710 Tunnel Gap Closure (I-710/Valley Blvd to California Blvd/Pasadena Ave), the I-710 South Corridor (dedicated lanes for clean technology trucks from the Ports to the SR-60 Interchange), the High Desert Corridor (I-5 to US-395), and the CETAP Riverside County to Orange County Corridor.

The financing of toll road facilities has become sophisticated in recent years, with increasing levels of participation by the private sector. SCAG is fully aware of the need to carefully consider the economics of specific projects as there is not a "one size fits all" solution. Various toll road financing models are being evaluated including public and private concessions, shadows tolls, and direct user-paid tolls. For purposes of developing the 2008 RTP financial plan, projections of traffic and revenue generation potential were based on a review of toll feasibility studies and consideration of comparable facilities. Revenue potential from tolling new facilities depends on several factors including length of lanes, configuration of the facilities, and tolling policy. Documentation on reference sources utilized to analyze toll revenue potential is included in Appendix B. Additional financial feasibility work for specific facilities is included in this Appendix F. See attachments.

SCAG continues to evaluate the legal and regulatory framework under which the region's proposed projects can move forward. Requisite actions for implementing toll road financing in the region are as follows:

Milestone	Action(s)
1	*Continue feasibility/pre-development work necessary for proposed toll facilities: I-710 Tunnel; I-710 Truck Lanes; the High Desert Corridor; and the CETAP (Riv-Orange)*
2	*Continue to work with public and private stakeholders in further evaluating applicable financing models/toll structures for proposed toll facilities*
3	*Pursue legislative authorization to impose tolls for specific facilities—work is currently underway to pursue legislative authority for the I-710 Tunnel and the High Desert Corridor; goods movement related facilities (e.g., I-710 South) already authorized under AB 1467*
4	*Initiate traffic and revenue study for specific facilities*
5	*Continue to refine business plans outlining institutional arrangement and financial plan—preliminary work to date on selected projects are included as an attachment*
6	*Formalize institutional arrangement with appropriate stakeholders for implementation*
7	*Anticipated project implementation dates: I-710 Tunnel (by 2020); I-710 Truck Lanes (by 2020); the High Desert Corridor (by 2030); and the CETAP (Riv-Orange) (by 2035)*

State and Federal Gasoline Excise Tax Adjustment

A critical component of the 2008 RTP financial plan includes an adjustment to the state and federal gasoline excise taxes to maintain historical purchasing power. The adjustment is equivalent to an additional ten cents per gallon excise tax at both the state and federal levels starting in 2012. Historical tax rate adjustments provide the basis for this assumption. The current state gasoline excise tax was last increased over a five-year window period from 1990 through 1994, when it was doubled from 9 cents to 18 cents per gallon as shown in Table 3. The current federal gasoline excise tax was last adjusted from 9 cents to 18.4 cents per gallon over a five-year period as well (Table 4). Historical extrapolation provides the basis for adjustments within the time horizon of the 2008 RTP.

Table 3

State Gasoline Excise Tax

Effective Date	Tax Rate (cents per gallon)
1-Oct-23	2
29-Jul-27	3
1-Jul-47	4.5
1-Jul-53	6
1-Oct-63	7
1-Jan-83	9
1-Aug-90	14
1-Jan-91	15
1-Jan-92	16
1-Jan-93	17
1-Jan-94	18

Source: State Board of Equalization

Table 4

Federal Gasoline Excise Tax

Effective Date	Tax Rate (cents per gallon)
21-Jun-32	1
17-Jun-33	1.5
1-Jan-34	1
1-Jul-40	1.5
1-Nov-51	2
1-Jul-56	3
1-Oct-59	4
1-Apr-83	9
1-Jan-87	9.1
1-Sep-90	9
1-Dec-90	14.1
1-Oct-93	18.4
1-Jan-96	18.3
1-Oct-97	18.4

Source: FHWA Federal Tax Rates on Motor Fuels

SCAG anticipates pursuing the following course of actions to ensure the availability of this revenue source:

Milestone	Action(s)
1	*Immediately initiate state and federal legislative program with stakeholder transportation agencies (2007/2008); strategy already incorporated into SCAG 2008 legislative program*
2	*Communicate to delegates of the SCAG region at the start of the Congressional and State Legislative sessions (2007/2008)*
3	*Submittal of bill draft requests for consideration (2008/2011)*
4	*Introduce state and federal legislation (2008/2011)*
5	*Gasoline excise tax adjustment (2012)*

Activities are already underway at the national level. Congress established the National Surface Transportation Policy and Revenue Study Commission in 2005 under Section 1909 of SAFETEA-LU. The Commission was created to examine not only the condition and future needs of the nation's surface transportation system, but also short and long-term alternatives to replace or supplement the fuel tax as the principal revenue source to support the Highway Trust Fund over the next 30 years. SAFETEA-LU Section 11142(a) also established the National Surface Transportation Infrastructure Financing Commission to analyze future transportation needs and the finances of the Highway Trust Fund. This Commission is charged with addressing the levels of revenue needed to improve the performance of the nation’s surface transportation systems and to ensure that federal levels of investment do not decline in real terms.

Container Fees

Substantial investment is needed to provide the infrastructure to carry goods to and through Southern California safely, quickly, and efficiently. Strategies to identify funding sources have focused on user or beneficiary fees in the form of charges imposed on containerized cargo moving through the ports/region, to support infrastructure investment and mitigation needs.

There is historical precedence for the use of container fees to support goods movement infrastructure within the region. Specifically, the Alameda Corridor serves as a prominent example of port access infrastructure employing user fees as a funding source. When negotiated, the fee was levied at $15 per loaded TEU (twenty-foot equivalent unit), and $4 per empty TEU. Non water-borne containers transported over the Corridor were also charged a $4 fee. The agreement contains a fee escalation clause indexed to the CPI. Currently, the TEU charge per loaded container is $18.04 and an empty TEU is charged $4.57. When negotiated, carload traffic transported over the Corridor was assessed a fee of $8 per load; currently it is $9.13 per carload.

There is now considerable discussion at both the state and national levels about using container fees to support goods movement infrastructure investment and mitigation measures. Senate Bill 974 (Lowenthal), introduced during the current state legislative session, proposes the imposition of user-fees ($30 per TEU) on the owner of container cargo to finance projects that reduce congestion and mitigate the air quality impacts associated with goods movement.

Also on December 17, 2007, the Long Beach Board of Harbor Commissioners approved a cargo fee of $35 per TEU to help fund cleaner trucks and improve air quality. The fee would support the replacement of nearly 17,000 trucks in the short-haul (or "drayage") fleet that serves the ports. The fee will be levied on cargo container entering or leaving any terminal by drayage truck beginning June 1, 2008. The fee will not apply to containers entering or leaving the Port of Long Beach by train and will end when the fleet of drayage trucks meets Clean Air Action Plan (CAAP) requirements by 2012. The Port of Los Angeles approved the clean trucks fee program as well on December 20, 2007.

In addition to efforts to fund clean truck programs, discussions are currently underway by the Ports and the shipping community to establish fees for supporting investment in goods movement infrastructure and associated mitigation needs.

A concern often raised is that container fees could dampen the economic competitiveness of the Ports, causing diversion of cargo to other port facilities outside of California. SCAG's Port and Modal Elasticity Study (2005) concluded that cargo volumes are more sensitive to congestion than to fees. Without congestion relief, even a modest container fee would result in the diversion of some cargo. With congestion relief, however, cargo volumes would remain constant with a fee of up to $200 per container (approximately $100/TEU). The productivity gains from investment in Southern California's goods movement system generates sufficient value and efficiencies to justify a fee structure that reflects the proper allocation of costs based on proportional benefits generated from cargo movement. See Port and Modal Elasticity Study prepared for the Southern California Association of Governments by Leachman & Associates LLC, 2005.

Milestone	Action(s)
1	*Continue to work with goods movement stakeholders to evaluate potential fee structures for specific projects (work underway with regional study initiatives: Multi-County Goods Movement Action Plan, SCAG Region Comprehensive Goods Movement Study, and SCAG Short-Term Port & Modal Elasticity Study)*
2	*Fee discussion/negotiation between the Ports and shipping community already underway*
3	*SB 974 Introduced in current legislative session; cleared the Senate (22-12) on June 6, 2007. It has passed two policy Committees in the Assembly, and the Assembly Appropriations*

	Committee with Amendments on September 6, 2007. It currently resides in the Assembly Inactive File.
4	*Continue dialogue with the railroads and other regional stakeholders including the county transportation commissions concerning the rail capacity improvement program*
5	*Container/Railroad user-fee implementation*

Private Equity Participation

Recent toll road financing experience in the US (e.g., Indiana Toll Road and the Chicago Skyway) represents significant change from past practices. With private ownership of toll facilities, equity considerations have been introduced to facilitate financing. Debt levels under these private transactions tend to be significantly higher and repayment schedules often extend beyond the traditional 20-30 year period. These transactions often rely heavily on refinancing. Also, concession terms are considerably longer (75-99 years) than they have been under typical concession financing in the past.

These project finance models have generally been applicable to existing toll facilities with strong cash flow generation. In this context, SCAG continues to evaluate various business models appropriate for new facilities or start-up facilities (the I-710 Tunnel, and the CETAP Corridor) including application to proposed High Speed Regional Transport (HSRT) systems supported by user-fees/passenger fares,. Current efforts have focused on finalizing feasibility studies and embarking on predevelopment work for a number of proposed Public-Private Partnership initiatives. Attachments to this Appendix F include selected business plans along with letters of interest documenting the financial feasibility of the region's proposed systems.

With the passage of AB 1467 (Nunez, Chapter 32, Statutes of 2006), the state established a framework for moving forward with partnership demonstration projects. AB 1467 authorizes two public-private partnerships related to goods movement in Southern California. AB 1467 also authorizes high-occupancy toll (HOT) lanes (two in Southern California). Additional work is currently underway with regional stakeholders to introduce legislation for project specific initiatives including the I-710 Tunnel.

Milestone	Action(s)
1	*Continue feasibility/pre-development work necessary for proposed facilities with potential private equity participation (e.g., I-710 Tunnel, the CETAP (Riv-Orange) Corridor, and the HSRT systems)*
2	*Continue to work with public and private stakeholders in further evaluating applicable financial models/toll and user-fee structures for proposed facilities*
3	*Pursue legislative authorization to enable private participation for specific facilities—work is currently underway to pursue legislative authority for the I-710 Tunnel; goods movement related facilities already authorized under AB 1467*
4	*Initiate traffic and revenue study for specific facilities*
5	*Continue to refine business plans outlining institutional arrangement and financial plan—preliminary work to date on selected projects are included as an attachment*
6	*Formalize institutional arrangement with appropriate stakeholders for implementation*

Innovative Financing Mechanisms: Private Activity Bonds (PAB), TIFIA Loan, Riverside Measure A Bond Anticipation Notes

Section 11143 of Title XI of SAFETEA-LU amends Section 142 of the Internal Revenue Code to add highway and freight transfer facilities to the types of privately developed and operated projects for which private activity bonds may be issued. The law limits the total amount of such bonds to $15 billion and directs the Secretary of Transportation to allocate this amount among qualified facilities.

Providing private developers and operators with access to tax-exempt interest rates lowers the cost of capital significantly, enhancing transportation investment prospects. SCAG proposes to utilize PABs to help finance the region's freight rail capacity improvement program. The financing plan for the project relies on a private activity bond allocation of $1.5 billion. Details of the financial proposal are delineated in Appendix F (Business Case: Rail Expansion, Emissions Reduction, and Grade Separation Project). SCAG also evaluated the use of PAB financing for the I-710 Tunnel (See I-710 Tunnel Financial Feasibility Analysis in Appendix F—supplemental attachments).

Any surface transportation project which receives Title 23 assistance is qualified to benefit from private activity bonds. SCAG will continue to engage the region's stakeholders including the railroads and the county transportation commissions to pursue access to PABs as follows:

Milestone	Action(s)
1	*Continue discussions with private entities including the railroads and public sector stakeholders such as the county transportation commissions to further evaluate financial proposals*
2	*Further delineate package of investments and evaluate project readiness: major permits and approvals, timeline for engineering/other pre-development work, as well as procurement of construction, etc.*
3	*Finalize development of a comprehensive financial plan for inclusion in PAB application*
4	*Receive PAB allocation by FY2009/2010 for rail capacity improvement program; also for I-710 Tunnel project financing as may be applicable (by FY2020—See financial assessment with base case and alternative scenarios)*

The 2008 RTP also assumes access to TIFIA loans to facilitate financing of the CETAP Corridor. This project meets the basic eligibility criteria for federal assistance under Title 23. As the project progresses well into pre-development work, certain requirements throughout the TIFIA process would need to be met as follows:

Milestone	Action(s)
1	*The project is included in a metropolitan transportation plan—the CETAP Corridor is already included in the constrained portion of the 2008 RTP*
2	*The project's estimated eligible cost meets threshold criteria*
3	*Continue pre-development work—circulation of Draft Environmental Impact Statement (DEIS)*
4	*Finalize development of a comprehensive financial plan with detailed cash flow analysis for inclusion in TIFIA application—preliminary long range financial planning assessment included in 2008 RTP financial plan; 2008 RTP assumes a combination of toll financing, as well as local, state, and federal funding*

5	*Obtain preliminary rating opinion letter from a major credit rating agency that confirms the investment grade potential of the project's senior debt obligations and assesses default risk of the proposed TIFIA loan.*

Although additional work will be necessary to determine project readiness for TIFIA credit assistance, a Major Investment Study (MIS) has already been completed for the CETAP Corridor. To date, the project has been in receipt of $15.8 million federal funding for feasibility and technical studies. Project sponsors will continue to seek additional federal funds for subsequent project phases in addition to local and private funding.

The 2008 RTP financial plan also assumes the issuance of short-term bond anticipation notes (BANs) in advance of the sale of Measure A revenue bonds to help finance the CETAP Corridor. Both short and long-term debt financing strategies using Measure A funds for the CETAP Corridor will be subject to the Riverside County Transportation Commission's Board policies. Local commitment to date for the CETAP Corridor has included $370 million in Riverside County Measure A funds and an additional $200 million in Transportation Uniform Mitigation Fee (TUMF) funding.

Federal Funding (US EPA) for Clean Freight Rail Technology

To date, consensus has been reached by the staff of the Air Resources Board (ARB), the Air Quality Management District (AQMD), and SCAG to propose that the federal government provide funding to mitigate the impacts of federal sources that are less well controlled than California regulated sources in order to meet PM2.5 attainment. The severity of the region's PM2.5 problem and the attainment deadline make it necessary to mitigate locomotive emissions. The following course of action has been taken to date:

Milestone	Action(s)
1	*Discussions with the ARB and the AQMD to include federal measure for addressing PM2.5 attainment (August-September, 2007)*
2	*Proposed federal measure included in ARB's adopted 2007 State Implementation Plan (September, 2007)*
3	*US EPA approval of 2007 State Implementation Plan expected in Spring, 2008*

HSRT System Private Contribution and User Fee

Progress continues to be made for the proposed HSRT system including development of a preliminary business plan—see memorandum from the IBI Group and SCAG's synopsis of a business proposal by American Maglev Technology (the EMMI Logistics Solutions, Inc.) in the supplemental attachments. American Maglev Technology and its financial partners have reviewed the HSRT business plan and have expressed confidence that, upon clearing technical and environmental hurdles, they could procure sufficient financing in the capital markets.

The project, however, will need to rely upon the public sector to establish the contractual, regulatory and institutional arrangements required to implement the HSRT system. American Maglev Technology proposes to create a solutions company, EMMI Logistics Solutions, Inc. (the Company), to design, finance, build and operate an electric transportation system utilizing licensed proprietary magnetic levitation (maglev) technology.

The Company will seek negotiations with the public sector and expects to enter into agreements with lead agencies in the freight and passenger movement sectors. The anticipated relationship considers the flow of operating and capital funds, the role of public leadership in the Project, the necessity of inter-agency institutional arrangements, regulatory framework, and delivery of the system on a design, build, operate and maintain basis. The following actions will need to be taken to facilitate implementation of the HSRT system:

Milestone	Action(s)
1	*Obtain letters of commitment from private sector entities for the IOS, IOS extension and freight segment—already in receipt of letters expressing interest/unsolicited proposals*
2	*Finalize development of a comprehensive business plan—preliminary proposals attached in the supplemental documentation section of Appendix F*
3	*Prepare preliminary engineering; additional predevelopment phase activities necessary (including EIS/EIR work)*
4	*Form a Joint Powers Authority*
7	*Secure funding/financing for completion of predevelopment work and construction*

For the Orangeline High Speed Maglev system, a financial plan has been developed (see supplemental attachment—Milestone 10 report) and a Joint Powers Authority has been established. Actions to be taken by the JPA over the coming years are as follows:

Milestone	Action(s)
1	*Execute adopted business plan for securing participation of remaining cities in the existing Orangeline Development Authority (JPA) – ARCADIS partnership; a JPA was formally established in 2003; to date, the JPA comprises 14 member cities*
2	*Secure right-of-way commitments*
3	*Secure funding/financing for and completing Phase 2 Preliminary Engineering*
4	*Secure funding/financing for construction*

As discussed in the previous section on private equity participation, Public-Private Partnership (PPP) authority in California is authorized under AB 1467, which enables Caltrans and regional transportation agencies to enter into lease agreements with public and private entities for goods movement related facilities. Solicited and unsolicited proposals are permitted under the statute. Additionally, Cal Gov Code § 5956, *et seq*. (AB 2660 (1996)) authorizes local governments to pursue PPPs for a range of fee-producing infrastructure projects, excluding state facilities.

Supplementary Documentation

SCAG's policy committees, comprising locally elected representatives throughout the region, expressed their commitment to pursuing specific projects requiring participation from private equity partners. Accordingly, specific business plans were developed to set the framework for funding a number of regionally significant projects.

The following section includes excerpts of preliminary business plans developed for the region's rail capacity improvement program, the I-710 Tunnel, and the HSRT system for passenger and freight. These are currently draft proposals requiring further feedback from both private and public sector stakeholders.

Additionally, the following section includes documentation on the region's progress in advancing the numerous new sources of revenue assumed in the 2008 RTP. Documentation includes excerpts of feasibility work completed to date, milestone reports highlighting resolutions and formation of institutional arrangements (e.g., Joint Powers Authorities) as may be applicable, along with general letters of support.